

J. C. Penney Company
Incorporated

Financial Statement

***Operating One Thousand
Four Hundred and
Fifty Two Stores.***

December 31, 1930.

New York, N. Y.
February 14, 1931.

**TO THE STOCKHOLDERS OF THE
J. C. PENNEY COMPANY:**

On behalf of your officers and Board of Directors, I am submitting herewith the financial statement and report of operations of your Corporation for the year ended December 31, 1930.

In view of the unusual conditions which have arisen since the last annual statement, it seems advisable to comment on the figures submitted in this report which reveal the manner in which your Company has met these conditions.

In 1930 the sales volume was nearly \$193,000,000, as compared with approximately \$210,000,000 in 1929.

Commodity prices receded all during the year 1930. So far as it was possible to do so, we followed reductions in replacement cost of merchandise by an immediate reduction in our retail selling prices, to pass on to the consumer the benefits which accrued from lowered replacement costs.

Considering the lowered retail selling prices brought about by reduction in replacement cost, the 1930 sales volume represents an increase in number of units sold as the percentage of price reduction exceeded the percentage of decrease in sales volume, which amounted to 7-99/100% for the year 1930.

Net earnings after Preferred Stock dividend for the year 1930 were \$7,096,892.16, as compared with net earnings of \$11,279,864.15 for 1929.

Consideration must be given to the fact that in arriving at our 1930 net earnings we have taken full depreciation on inventory on hand at the close of the year and adjusted our selling prices during the year as far as possible to reflect reduced replacement costs. Also that the Federal Income tax for 1930 is 12%, an increase of 1% over the 1929 rate.

Through careful attention to purchases and inventory at a time requiring strict study of the problem of keeping merchandise at the lowest point consistent with adequate stocks to take care of immediate consumer demand, we were able to close the year with an inventory more than \$14,000,000 lower than at the close of 1929.

Cash on hand and in banks at the close of business in 1930 totaled \$12,270,083.07, which is substantially higher than any other year in the history of the Company.

The cash position was achieved in the face of a common stock cash dividend distribution in January 1930 of \$2.50 a share to cover payment against 1929 earnings, and an additional distribution of four quarterly dividends, aggregating \$3.00 per share during the year.

This double dividend payment was due to changing from an annual to a quarterly dividend payment basis, 1930 being the first year in the history of the Company in which common stock dividends were paid currently.

The ratio of our current assets to current liabilities at the end of 1930 was in the proportion of 12 to 1.

During 1930 we have focused attention to a large degree on reduction of general operating costs. The full advantage of operating cost revisions could not be applied against the entire twelve months of 1930, but we find ourselves at the start of 1931 in a position to apply these savings against operations for this year.

Your Company is in a strong financial position, ready to take full advantage of the present low commodity prices, and with the added advantage of having adjusted merchandise stocks to a position where any necessary future inventory write offs will be reduced to a minimum.

The business of your Company, being nation-wide in scope, with 1452 separate retail units, is geographically diversified, and not dependent to a vital degree on the opportunities offered by any particular section of the country.

*Respectfully submitted,
E. C. SAMS, President.*

J. C. PENNEY

BALANCE SHEET AS AT DECEMBER 31, 1930

ASSETS

Cash in Banks and on Hand		\$12,270,083.07
Merchandise—at Cost or Market, whichever is lower		35,594,840.40
		<u>47,864,923.47</u>
Stock Subscription Contracts for Capital Stock held for Employees, less Payments made		17,000.00
Accounts Receivable, Advances, Etc.:		
Subsidiary Companies	\$2,174,149.10	
Miscellaneous	<u>367,067.02</u>	2,541,216.12
Investment in Subsidiary Companies (including Undistributed Profits)—at Book Value shown by Subsidiaries		1,890,703.16
Land and Buildings—at Cost	2,734,580.03	
Less Depreciation	<u>88,349.01</u>	
	2,646,231.02	
Furniture and Fixtures—at Cost, less Depreciation	<u>9,071,938.92</u>	
	11,718,169.94	
Improvements and Leaseholds—at Cost, less Amortization	<u>4,703,853.61</u>	16,422,023.55
Treasury—11,500 shares of Common Stock—at Cost, held for resale to Employees		389,700.00
		<u><u>\$69,125,566.30</u></u>

To the Board of Directors of
J. C. Penney Company, Inc.

We have examined the books and accounts on December 31, 1930 and report that the foregoing is correct, with and, in our opinion, sets forth the financial position of the company at that date.

The quantities and valuation of the merchandise have been certified to be correct by a responsible officer of the company, and that the valuation was made on the basis of cost or market, whichever is lower.

New York, N. Y.,
February 14, 1931.

PE.

NEY COMPANY

NCE SHEET

DECEMBER 31, 1930.

LIABILITIES

Accounts Payable, not yet due		\$ 2,854,870.31
Reserve for Federal Income Tax		<u>1,114,448.96</u>
		3,969,319.27
Mortgages Payable		150,000.00
Reserves:		
Reserves for Fire Losses, Etc. and Employees' Death Benefit Fund	\$1,354,276.58	
Reserve for Contingencies	<u>1,300,000.00</u>	2,654,276.58
Capital Stock:		
Preferred 6% Cumulative, \$100.00 Par Value—Authorized, \$30,000,000.00; Outstanding	19,895,500.00	
Classified Common, \$100.00 Par Value—Authorized, \$5,000,000.00; Outstanding	114,500.00	
Common, No Par:		
Authorized, 3,000,000 Shares.		
Outstanding, 2,466,908 Shares	<u>23,587,466.69</u>	43,597,466.69
Surplus		18,754,503.76
Contingent Liabilities—None.		
		<u><u>\$69,125,566.30</u></u>

and accounts of J. C. Penney Company, Inc. as at the foregoing Balance Sheet is in agreement therewith the financial position of the Company as at that date. The merchandise inventories prepared by the Company are at cost or market price whichever was the lower.

PEAT, MARWICK, MITCHELL & CO.

J. C. PENNEY COMPANY

Income Account For Year Ended December 31, 1930.

Sales		\$192,943,765.42
Cost of Merchandise Sold, Selling and General Expenses and Reserve for Federal Income Tax	\$183,763,300.87	
Depreciation and Amortization	<u>1,752,655.66</u>	<u>185,515,956.53</u>
		7,427,808.89
Discount on Purchases and Miscellaneous Income		566,627.95
Net Profit before Preferred Stock Dividends		<u>7,994,436.84</u>
Add 1930 Profits of Subsidiaries		296,185.32
Transferred to Surplus		<u>\$ 8,290,622.16*</u>

Note:

*Net Income applicable to Common, No Par Stock	7,104,682.62
Less Loss applicable to Classified Common Stock	<u>7,790.46</u>
	7,096,892.16
Add Preferred Stock Dividends paid from Surplus	<u>1,193,730.00</u>
Total	<u><u>\$ 8,290,622.16</u></u>

SURPLUS ACCOUNT

Surplus at December 31, 1929		\$ 25,005,772.16
Net Sundry Deductions during Year		<u>50,385.53</u>
		24,955,386.63
Less Preferred Stock Dividends		<u>1,193,730.00</u>
		23,761,656.63
Less Common Stock Dividends:		
In Cash:		
Paid January 30, 1930	\$5,942,716.16	
Paid Quarterly—March 31, June 30, September 30 and December 31, 1930, aggregating	<u>7,322,893.75</u>	
	13,265,609.91	
In Stock (as Stock Conversion)	<u>32,165.12</u>	<u>13,297,775.03</u>
		10,463,881.60
Add Net Income for 1930		<u>8,290,622.16</u>
Surplus at December 31, 1930		<u><u>\$18,754,503.76†</u></u>

Note:

†Surplus applicable to Common, No Par Stock	18,791,126.36
Deficit applicable to Classified Common Stock Capital	<u>36,622.60</u>
Total	<u><u>\$18,754,503.76</u></u>

OFFICERS

J. C. PENNEY

Chairman of the Board

E. C. SAMS	<i>President</i>
LEW V. DAY	<i>Vice-President</i>
W. A. REYNOLDS	<i>2nd Vice-President</i>
J. I. H. HERBERT	<i>3rd Vice-President and Treasurer</i>
L. A. BAHNER	<i>Secretary</i>
R. W. TROWN	<i>Comptroller</i>

DIRECTORS

J. C. PENNEY, Chairman

E. C. SAMS	R. H. OTT
GEO. H. BUSHNELL	G. H. CROCKER
J. I. H. HERBERT	L. A. BAHNER
L. W. HYER	W. A. REYNOLDS
LEW V. DAY	EARL A. ROSS